

March 10, 2023

To Our Shareholders

Japan Tobacco Inc.

The Company’s Opinion on the Proxy Advisory Firm’s Reports on the Agenda Items for the Company’s General Meeting of Shareholders

Japan Tobacco Inc. (the “Company”) hereby announces the Company’s opinions on Item 5, for which the proxy advisory firms Glass, Lewis & Co., LLC (“Glass Lewis”) and Institutional Shareholder Services Inc. (“ISS”) have stated differing opinions and recommendations in the reports they released respectively for their customers regarding the shareholder proposals (the “Shareholder Proposals”) to be submitted to the 38th Ordinary General Meeting of Shareholders (the “Ordinary General Meeting of Shareholders”) of the Company scheduled to be held on March 24, 2023.

As shown in the following, the recommendation by Glass Lewis to vote for or against the Shareholder Proposals is consistent with the Company’s opinions. Meanwhile, the recommendations by ISS to vote for or against the Shareholder Proposals overlook the information that the Company has already disclosed and the fundamental problems of Item 5.

We would like to ask our shareholders to kindly refer to the explanatory material and the Company’s Notice of Convocation to understand the opinion of the Board of Directors of the Company.

1. Recommendations to vote for or against the Shareholder Proposals by Glass Lewis and ISS

Shareholder Proposal Items	Opinion of the Company’s Board of Directors	Glass Lewis recommendations to vote for or against	ISS recommendations to vote for or against
Item 5 Partial Amendment to the Articles of Incorporation (Management of Subsidiaries)	Against	Recommend to against	Recommend to vote for
Item 6 Partial Amendment to the Articles of Incorporation (Prohibition Against Former Directors and Employees Serving in Director Positions at Listed Subsidiaries)	Against	Recommend to against	Recommend to against
Item 7 Partial Amendment to the Articles of Incorporation (Prohibition Against Using the Cash Management System (CMS) for Financing with Listed Subsidiaries)	Against	Recommend to against	Recommend to against
Item 8 Acquisition of Treasury Shares	Against	Recommend to against	Recommend to against

2. About the Glass Lewis Report

(1) Details of the report

Glass Lewis recommends voting against all of the Shareholder Proposals.

With respect to Item 5 of the Shareholder Proposals, Glass Lewis has expressed question on the merit of this shareholder proposal as the reason for recommending voting against it, because the reasons for maintaining TORII PHARMACEUTICAL CO., LTD. (“TORII”) as a listed subsidiary and the specific measures to ensure the effectiveness of governance have already been prescribed in the Company’s “Corporate Governance Report,” and the possibility of speculation based on pre-determined information and unforeseen consequences if the deliberations of our Board of Directors regarding the possible transfer or sale of TORII as required by the Shareholder Proposals were to be made public.

(2) The Company’s opinion

As stated in the Glass Lewis Report, the Company has already disclosed its views on the group management and the significance of owing a listed subsidiary in our “Corporate Governance Report”. In addition, we believe that it is NOT appropriate to uniformly and fixedly stipulate in the Articles of Incorporation, which is the fundamental norm of the organization, that specific details regarding the acquisition of 100% ownership or sale of a subsidiary must be disclosed even at the stage of consideration, because as the Glass Lewis Report states, there is a risk of causing unnecessary speculation in the capital market. Even if the Company was evaluating the acquisition of 100% ownership or sale of a subsidiary with taking into account future changes to our group management policy, efforts to engage in dialogue with shareholders and investors, and other considerations, the Company believes that the Board of Directors should carefully consider the content, timing, method, etc., of the announcement of specific details, and then disclose such details in a timely and appropriate manner once it has reached a conclusion that should be announced.

The Company welcomes Glass Lewis report, because the Company understand that Glass Lewis, a global advisor on the exercise of voting rights, reached the same conclusion as the Board of Directors of the Company as a result of analyzing the proposals for the Ordinary General Meeting of Shareholders from a standpoint independent of the Company.

3. About the ISS Report

(1) Details of the report

While ISS is recommending against Shareholder Proposals of Items 6, 7 and 8, it is recommending in favor of Item 5 on the grounds that the Company’s Board of Directors needs to seriously consider whether the current approach to TORII (maintaining the parent-subsidiary listing) is appropriate, and that the rationale for maintaining TORII as a listed subsidiary should be made more transparent.

(2) The Company's opinion

ISS recommends voting for Item 5 without taking into consideration following points that Glass Lewis showed in its report.

- The Company has already disclosed in the "Corporate Governance Report" the reasons for maintaining TORII as a listed company and the specific measures for ensuring the effectiveness of governance.
- Periodically announcing in the "Corporate Governance Report" the status of deliberations by the Board of Directors regarding the possibility of the transfer or sale of TORII, as required under the shareholder proposal, could conceivably have a negative effect.

In addition, Item 5 was evaluated by ISS without verifying whether there are potential disadvantages of the shareholder proposal itself and whether the disclosure methods are inappropriate.

Furthermore, ISS express the view on our Group management policy not limited to recommendation to vote for or against to this Shareholder Proposal.

From above standpoints, the Company has a strong sense of discomfort with ISS report.

The Company's Board of Directors has confirmed TORII's situation through discussions on management plans, corporate governance, and other matters, and is constantly reviewing the appropriate management of the Group. We believe that it is an important responsibility of the Company to ensure effective governance of a listed subsidiary, taking into consideration the interests of the minority shareholders of the listed subsidiary, and we will continue to discuss and deliberate on appropriate group management.

In addition, we believe that disclosing our group management policy to listed subsidiaries is a given responsibility and a step that a listed company should naturally comply with, and we will continue to constantly examine ways to enhance disclosure to better engage in a dialogue with the capital market.

The full text of the Company's Board of Directors' opinions on the Shareholders Proposals is available in the Company's Notice of Convocation and on the Company's website (see note below).

(Note) https://www.jt.com/media/news/2023/pdf/20230214_16.pdf (English)

Shareholders are kindly requested to understand the points above and exercise their voting rights after due consideration.